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## PAYMENT OF THE NATIONAL DEBT.

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It has become apparent that great interests are at work to prevent the payment of the national debt, and to permanently fasten upon us the British funding-system, of which, while it was yet in its small beginning, Lord Bolingbroke said, in 1748, that it is a "method" by which "one part of the nation is pawned to the other, with hardly any hope left of ever being redeemed." Of all the possible disasters which may happen to the country, the reversal of its traditional debt-paying policy will be one of the greatest. Nothing would more profoundly change for the worst all the principles and workings of the Government. The reasons for persevering in the extinguishment of the financial obligations of the Civil War are innumerable, but within the limits of this article, I can only notice briefly a few of them.

1. That debt-paying is our traditional policy will be more vividly realized from a recital of some particulars of our history in that respect. Our Government went into operation, under the present constitution, in 1789. In the enumeration, in that instrument, of the purposes for which Congress is empowered to levy taxes, the payment of the public debt comes first, and the history of that time shows that the restoration of the finances was a chief object of the new constitution. Quoting its language, the

taxing power was conferred "to pay the debts and provide for the common defense and general welfare." The conduct of the generation which framed the constitution, and first administered it, is a luminous commentary upon its true meaning and intent. Within forty-four years after 1789, not only was the revolutionary debt of \$80,000,000, which was greater than that of the Civil War, with proper allowances for differences of population and wealth, paid off, but also the debt of the war of 1812 and 1815 with England, and the obligation for \$20,000,000 incurred in the purchase of Louisiana and Florida. It might have been said, posterity should be left to pay for the lands acquired by these purchases, and falling to them as a vast inheritance, being fully one half of the present territorial area of the republic; but not so did the fathers reason. It was their pride and glory to remove all encumbrances from the patrimony of their children. "Not ungenerously throwing upon posterity the burden which we ourselves ought to bear," is the grand and noble sentiment of Washington, in that part of his farewell address, in which he urged the earliest possible extinction of the debt.

In his second annual message, Mr. Jefferson advised "the payment of our public debt, and the emancipation of our posterity from that moral canker."

General Jackson, who had, in his first inaugural, declared that a national debt was "incompatible with real independence," assigned, in his fifth annual message, as a reason for rejoicing over its extinction,—"the satisfaction of bequeathing to the public servants who follow us, the rare blessing of a revenue unencumbered with any burden." In his message vetoing the United States Bank Bill, he said, "Pay the national debt. Let no surplus be allowed in the treasury. Practice the closest economy in the expenditures of the Government."

Of the seven presidents during the forty-four years which witnessed the complete discharge of the great debts of our two wars with England, and of our territorial purchases from France and Spain, five had borne conspicuous parts in civil or military life during the Revolutionary War. The last two, J. Q. Adams and General Jackson, both born in 1767, were too young to participate in that struggle; but they were close to the generation which carried it through, and thoroughly imbued with its hostility to perpetual debts and fund-mongering. All these seven presidents, in

their official addresses and in their private correspondence, insisted from first to last, in season and out of season, that a public debt was among the greatest of public mischiefs, and that no efforts and sacrifices to get rid of it could be too great.

President Washington, in six of eight of his annual addresses to Congress, and in his farewell address to the country, gave to debt-paying the most conspicuous place in his recommendations. The elder Adams urged the payment of the revolutionary debt, and especially warned the country against imitating the funding-system of Europe.

Jefferson, in seven of his eight annual messages, classed the early and complete discharge of the debt as among the first of public duties.

Both Madison and Monroe were equally strenuous and persistent on this point. The younger Adams insisted, in his inaugural, upon the duty "to discharge, with all possible promptitude, the national debt." In his second annual message, he urged "steady and inflexible perseverance" in that work, and in his third message he spoke "of the deep solicitude of our citizens of all classes" for its speedy completion.

General Jackson, who, as a candidate for the presidency, had declared, in his letter of April 26th, 1824, to Dr. Coleman, that a national debt was "a curse to a republic, inasmuch as it is calculated to raise round the administration a moneyed aristocracy, dangerous to the liberties of the country," remained steadfast in that opinion after his election to the chief-magistracy, and insisted that the tax on tea and coffee should not be given up until the payment of the debt was fully assured.

During the darkest days of our Civil War, the debt-paying traditions of the republic were never lost sight of. A sinking fund was provided for all debts created, and Secretary Chase of the treasury kept all the new and great obligations incurred within the reach of an early option of redemption, following in that the policy of Albert Gallatin, when he was at the head of the treasury during the war of 1812 and 1815. The debates in Congress, after the Civil War was over, upon the funding-act of July 14th, 1870, show that, even if there was then in some quarters a secret wish or hope that the debt might be perpetual, nobody ventured to avow any other policy than that of its steady reduction and final payment. It surely will not be an easy thing to persuade the

country to reverse precedents which have been unbroken for nearly a century, and to begin now, for the first time, in the midst of peace and abounding wealth, to enter upon the policy of debt-perpetuation.

2. The payment of the debt is the most effective method of preparing for war in time of peace. It is, also, the most direct means of avoiding war, since nothing can more plainly tend to dissuade foreign nations from making aggressions upon us, than to see that our finances are unencumbered and available for defense. If we were to-day involved in hostilities with a foreign country, we should be obliged, first of all, for the essential purpose of protecting our credit, to provide \$48,750,000 annually, which is the official estimate of the interest on the debt during the current fiscal year. If free from debt, we should, with the same revenue, have \$48,750,000 more in hand to expend every year in military and naval operations. Furthermore, as the enormous money-cost of modern wars always creates a necessity for loans, we could borrow more abundantly, and at easier rates, than if our credit was partly exhausted by obligations already outstanding. It was, "as a very important source of strength and security," that General Washington, in his farewell address, advised the country to "cherish public credit," and, as the best means to that end, to make "vigorous exertions in times of peace to discharge the debt which unavoidable wars have occasioned." He knew practically, as well as theoretically, that "money is the sinews of war," and with that sound sense which never failed him, he saw that nothing would more surely put us in a position to command the sinews of war, than to be free from the drain of interest and impairment to credit resulting from preëxisting debts.

The genius, traditions, and situations of the United States are all opposed to offensive wars, and no preparation for them need be made. Indeed, it would be injurious to make preparations for such wars, because nations which are always armed for a fight are like individuals in a similar case, always tempted to engage in one. For defensive wars, scarcely any other preparation is necessary than that of making our finances impregnable, by making haste in times of peace to relieve them of all encumbrances. With that preparation we shall, in all human probabilities, escape war for an indefinite period. Our last war with any of the European powers was finished seventy years ago, and the danger of a new

one decreases as their estimates of our strength increases. Nothing has so impressed them with our resources as the vigor and steadiness with which this country has thus far addressed itself to the work of making continuous payments on the principal of the debt of the Civil War. The London *Economist* of March 10th, 1883, said :

“The grandeur of the American Republic, considered in its external policy, has moreover been greatly increased by its debt-paying policy ; for it has been felt that a people which could raise four or five hundred millions sterling at three per cent. was, on that account alone, a great people ; one which, on cause shown, could create fleets and armies almost out of the ground.”

In the light of this extract from the *Economist*, we can better understand what it said on the 4th of October last in respect to the feeling of the French toward England. “A notion that England is bad to fight (a feeling akin to that of our own people about the United States) is very widely diffused.”

Clearly, this country has no army or navy in existence of which foreign nations need be very much afraid. What they respect is our power to raise, equip, and maintain armies and navies, and they know that this power becomes greater in proportion to our progress in freeing ourselves from financial clogs and encumbrances. The London *Spectator* of April, 14th, 1883, said :

“The grand reason for paying debt is that we want to strengthen the credit of the State, as the cheapest and best of all insurances. If any one doubts that, let him look at the position of the United States. That grand republic has no fleet, and on the water could hardly fight Spain ; but she has reduced her debt by strenuous paying, and every one knows that if she wanted a fleet to blow Spain out of the water, or to contest the seas with us, she could buy and complete one in twelve months. Her payment of her debt is an insurance, not only against defeat, but against attack.”

As freeing ourselves from the shackles of debt is the most effective preparation for war, and thereby the best prevention of war, so it is preferable, in many other respects, to the method of maintaining great armies and navies, which are not only extremely costly, but in many ways demoralizing, and certain to run into great abuses.

In navies, since the incoming of iron-clads, of iron and steel war-ships, propelled by steam, and of rapidly succeeding inventions in armaments, there has been a most deplorable record in this and other countries of untold millions sunk in experimental construc-

tions, all recommended as infallible instrumentalities of war, but all either proving useless upon trial, or soon superseded by something better. The British navy accomplished very little in the war of 1854 and 1855 against Russia, and the French navy absolutely nothing against Germany in the war of 1870 and 1871. Iron-clads, more than anything else, bankrupted Turkey, and now threaten Italy with financial ruin. There is not one of the great European powers the efficiency of whose naval establishments is not profoundly distrusted by their own experts. In contrast with the frightful expense of these doubtful methods of preparing for war, the payment of the principal of debts costs nothing. Unlike the payment of interest, it is not an expenditure, but for every dollar paid there is a corresponding reduction of the mortgage on the property and labor of those who pay. Instead of being expenditures, payments of principal stop expenditure by stopping interest, and it is to such payments that the French maxim, "Whoever pays, enriches himself," exactly applies.

3. The locking up of loaning-capital in public debt diminishes by so much the supply of such capital for other purposes, and thereby enhances the rate demanded and obtained upon all loans and investments of money. It affects, in the same way, the rents of houses and other structures, which in the large cities constitute an important item in the cost of living. Men will not erect buildings for renting unless the expected rental bears a certain relation to the interest on money. The payment of \$600,000,000 of the principal of the national debt, during the six years ending November 1st, 1884, produced a decisive fall in the rates of loans to States, counties, municipalities, and railroads, and to individuals in good credit on good security. While this has been a great advantage to enterprise, it has been distasteful to lenders. This is the leading cause of the disposition to perpetuate the national debt, which is distinctly visible among powerful classes in the North-Eastern States, which are the great possessors of loanable capital, and the great suppliers of it to the South and West. It has been the leading cause, during this century of the perpetuation of the British debt, which would have been paid off in 1843 if Pitt's sinking-fund had been adhered to.

A writer in this country has collected the evidence from the British parliamentary debates, that in 1802, 1807, and 1813, the three first occasions when Pitt's sinking-fund was broken into, the

special reason assigned was that the effort of paying off debts injured capitalists by reducing the rate of interest on all loans. If that writer had continued his investigation to later dates, he would have found that the war upon the sinking-fund was persevered in, and upon the same ground, until its enemies were finally able to get rid of it, after the close of the Liverpool Administration, in 1827, which had held firmly to the debt-paying ideas of Pitt.

In 1826, with a debt of 840,000,000 sterling, the British sinking-fund was only about 5,000,000 sterling, or about six-tenths of one per cent., but the moneyed classes could not bear even that small payment, and, on the 17th of February in that year, in the House of Lords, the Earl of Louxderdale declaimed against the tendency of it to reduce the rate of interest, saying, among other things :

“The public had now to contend with an excessive capital equal to 5,000,000 sterling, thrown in annually to such employment in other interests. Must not this extraordinary supply of capital diminish the value? This it was that reduced the interest on fixed securities. They must see how the case stood with those who had disposable capital. Mortgages at five per cent. were, in hundreds of instances, redeemed in money at lower interest.”

Professor Sidgwick is recognized in England as one of the ablest of living British economical writers. What is of equal consequence, he is very little chargeable with the besetting sin of men of his class, which is that of catering to such special interests as are most powerful. In his “*Principles of Political Economy*,” published in 1883, he makes the following frank admission of the effect of national borrowings to so change the distribution of the annual aggregate productions of a country as to aggrandize capital and depress labor :

“There is another less obvious disturbance of preëxisting distributions which borrowing, whether for profitable outlay or to ward off calamities, tends to bring, namely, by raising the rate of interest, and thereby raising the share of the aggregate produce that falls to capital. The gain to capitalists from the rise of interest inevitably involves a corresponding loss to labor.”

4. In addition to giving to moneyed capitalists, by raising the rate of interest, an increased share as against labor in the productive enterprises in which a part of their capital is engaged, public debts quarter them on the taxes, as to that part of it which is invested in such debts. A debt-roll, so far as the interest payments are concerned, is nothing but a pension-roll, the inscriptions on which are obtained, not by meritorious service in the field or in civil



life, but by purchase, and in the case of great war loans, almost always at very cheap rates. So long as the principal is not paid, the debt, in its full proportions, is immortal, and the tax-payers remain forever the tributaries of the holders of the debt—be they who they may, Jew or Gentile, aliens, citizens living at home, or citizens expatriating themselves to spend their pensions in enjoying the luxuries or vices of foreign cities. Such a roll, if it is a long one, must always contain the names of many of the most detestable or contemptible of mankind, to be tributary to whom adds a deeper tinge to the degradation of being tributary to anybody. It was a metaphor of the English courtiers, referred to by Lord Bacon as being old in his times, to liken taxes to the water which is drawn up from the earth to descend again from the clouds in fructifying rains. An enemy of Charles the First said, in the Long Parliament, that it descended then “in hailstones and mil-dews.”

The theory of a good government is to be always economically administered, and to confine itself to the essential objects of public services. If that theory could be perfectly carried out in practice, taxes would not be a burden, but only a payment of fair equivalent for indispensable needs. The efforts of a wise people should always be to bring the practice of their government nearer and nearer to the point of theoretical perfection in the disposition of the proceeds of taxation. But it reverses the whole theory of a just taxation to permit the existence, for one day longer than is absolutely necessary, of an army of tax-devourers in the form of receivers of interest on public debts. Under that baleful system, taxes no longer “fall back to earth again in fertilizing showers” upon those who contribute them, but are diverted into rivulets and streams for the fattening of the fields of special classes; and this diversion is carried in modern times to an extent which leaves the fields of the non-favored classes so parched and barren that they yield little more than enough to keep soul and body together.

In England, for forty years after the battle of Waterloo, one-half of the taxes was paid over, under the name of interest, to the national debt-holders; and even now, seventy years after that memorable ending of the Napoleonic wars, one-third of the taxes goes the same way, the interest not having been lessened, but other expenditures having been increased. Since the surrender of General Lee, the United States have paid \$2,200,000,000 as interest-

money, and it had been paid in gold at an appreciating value. If we pay no more of the principal of the debt until the four per cent. bonds mature in 1907, we shall by that time pay \$1,045,000,000 more as interest-money. It is only the interest upon the four-and-one-halves which we can reduce; if that is lowered to three per cent. in 1891, the earliest day at which it can be done, the saving will be \$60,000,000 from 1891 to 1907; but allowing for that saving which may be expected to be made, we shall still have \$985,000,000 to pay as interest-money between the present time and 1907, if we abandon the policy of making payments on the principal of the debt. And it must be noted that these \$985,000,000 will be paid, not by posterity, but by this generation, and that it is this generation, and not posterity, which will enjoy the advantage of whatever saving of interest, between now and 1907, should be effected by adhering to the policy of reducing the principal of the debt.

5. The steady reduction—looking always to the early extinction of the debt—will remove causes of heart-burnings and jealousies between different classes and sections, and tend strongly to consolidate and animate the patriotism of the masses of the people.

The non-taxability of our government bonds, for national, State, county, or municipal purposes, is an odious feature, and, right or wrong, it can never be made otherwise. It may have been necessary and wise to make them non-taxable, although I do not believe it was. The British debt was never non-taxable, and to-day is paying a heavy income tax. It is, however, idle to discuss the question, as it is now the clear contract-right of the holder of our bonds to enjoy exemption from taxation, and there is nothing to be done but to do what we have agreed to do; but it is in a high degree expedient that the spectacle of a class of persons, enjoying the safest and most desirable form of property, while contributing nothing to the public charges, should be gotten rid of in any honest and lawful way as soon as possible.

Another source of discontent is the substantially exclusive holding of these bonds in a small section of the north-eastern part of the Union. Nobody is to blame for their concentration in that particular section. It has resulted from the fact that it is there that the loanable capital of the country is chiefly found, which is due to its having had a considerable density of population many years in advance of the other parts of the Union, and to the ad-

mirable industry, economy, ingenuity, enterprise, and thrift of the people who have occupied it; nevertheless, the West and South believe, and it is true, that the actual distribution of the holdings of the national debt make them tributary to the North-East. They will not be, and ought not to be, content to have a large part of the loanable capital of the North-East receive its income permanently from the proceeds of general taxation. It may be true that in territorially small countries, like England and France, with a general similarity of condition over their whole areas as respects accumulation of realized wealth, a national debt, held at home and kept within reasonable limits, may give stability to the existing forms of government, and to the dynasties actually in power, although it cannot fail to weaken such countries in their external relations. But in a country of vast extent, like the United States, made up of parts exceedingly dissimilar in financial situation, a few of them lenders of capital while the majority of them are borrowers, a national debt is a source of discontent and a constant temptation to disintegration.

N. P. HILL.